

Message Text

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46

ACTION EB-11

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

H-03 EUR-25 ABF-01 FSE-00 INT-08 AGR-20 DODE-00 PA-03

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TAGS: ETRD, KS

SUBJECT: KOREA: FIVE MONTHS' TRADE PERFORMANCE AND
MID-YEAR BOP OUTLOOK

REF: (A) SEOUL A-59 (B) SEOUL A-90 (C) SEOUL A-136

SUMMARY: DESPITE 106 PCT INCREASE IN EXPORTS, KOREAN TRADE GAP IN FIRST FIVE MONTHS OF 1973 WAS \$47 MILLION LARGER THAN IN JAN-MAY 1972. US SURPLUS WITH KOREA WAS ALSO SOMEWHAT LARGER THAN IN YEAR EARLIER PERIOD. PRELIMINARY DATA SHOW STRONG BOP PERFORMANCE IN FIRST HALF 1973, PARTICULARLY IN TOURISM RECEIPTS, WITH FOREIGN EXCHANGE RESERVES UP \$154 MILLION. CURRENT ACCOUNT DEFICIT FOR FULL YEAR IS LIKELY TO BE CONSIDERABLY SMALLER THAN \$421 MILLION DEFICIT REGISTERED IN 1972.

1. EXPORTS - IN FIRST FIVE MONTHS OF 1973, KOREAN EXPORTS (FOB CUSTOMS DATA) INCREASED BY 106 PCT OVER JAN-MAY 1972 LEVEL TO \$1,075 MILLION. (ROKG ORIGINALLY PROJECTED INCREASE FOR FULL YEAR OF 31 PERCENT.) AMONG PRODUCTS WITH HIGHEST RATES OF EXPORT GROWTH WERE (PERCENTAGE INCREASES IN PARENTHESIS) TRAVEL GOODS (182), ELECTRICAL MACHINERY (165), TOYS (114)

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STEEL PLATE (114) AND YARN AND FABRIC (110). WHILE EXPORTS

TO US INCREASED BY 66 PERCENT OVER JAN-MAY 1972 TO \$416 MILLION, SHARE OF TOTAL KOREAN EXPORTS DESTINED FOR US FELL FROM 48 PERCENT TO 39 PERCENT, EXPORTS TO JAPAN ROSE 180 PERCENT TO 335 MILLION, AND JAPAN'S SHARE OF TOTAL ROSE FROM 24 TO 33 PERCENT. EXPORTS TO CANADA WERE UP 172 PERCENT TO \$49 MILLION.

2. IMPORTS-IN FIRST FIVE MONTHS IMPORTS WERE UP 63 PERCENT OVER SIMILAR PERIOD OF 1972, TO \$1,553 MILLION (CUSTOMS CIK DATA) AS COMPARED WITH ROKG'S EARLIER PROJECTED CY 1973 INCREASE FO 21.1 PERCENT. US MARKET SHARE INCREASED FROM 29 TO 31 PERCENT ON STRENGTH OF 70 PERCENT INCREASE IN IMPOGTS FROM US TO \$479 MILLION. JAPAN'S MARKET SHARE ROSE FROM 37 TO 38 PERCENT ON 67 PERCENT INCREASE IN IMPORTS TO \$593 MILLION. IMPORTS FROM INDONESIA AND WEST GERNAMY ALSO ROSE UIGNIFICANTLY. (IT IS INTERESTING TO NOTE THAT, PERHAPS CONTRARY TO EXPECTATIONS FOLLOWING WORLD CURRENCY REALIGNMENTS, INCREASE IN US MARKET SHARE WAS AT EXPENSE OF COUNTRIES OTHER THAN JAPAN AND GERNANY.) WHILE COUNTRY BY COMMODITY DATA ARE NOT YET AVAILABLE, IMPORTS OF SEVERAL COMMODITIES OF INTEREST TO US WERE UP SIGNIFICANTLY, INCLUDING (PERCENT INCREASE IN PARENTHESIS) IRON AND STEEL SCRAP (125), TRANSPORTATION EQUIPMENT (116) WOOD, LUMBER AND CORK (101), NON-ELECTRICAL MACHINERY (69) AND ELECTRICAL MACHINERY (52).

3. TRADE BALANCE - AS RESULT OF EXPORT/IMPORT DEVELOPMENTS, KOREAN JAN-MAY TRADE DEFICIT, AT \$478 MILLION, WAS \$47 MILLION LARGER THAN JAN-MAY 1972. DEFICIT WITH US OVER PERIOD ROSE FROM \$30 TO \$63 MILLION, WHILE DEFICIT WITH JAPAN ROSE SLIGHTLY FROM \$227 MILLION TO \$238 MILLION.

4. BOP-BASED ON FOREGOING FIVE MONTH TRADE DATA AND PRELIMINARY JAN-JUNE ROK FOREIGN EXCHANGE BUDGET, EMBASSY HAS MADE FOLLOWING ESTIMATE OF FIRST HALF BALANCE OF PAYMENTS PERFORMANCE, (ALL FIGURES MILLIONS OF DOLLARS)

	JAN-JUNE 1972	JAN-JUNE 1973
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1. TRADE BALANCE	-349	-425
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EXPORTS (FOB)	688	1375
IMPORTS (FOB)	1037	1800

2. INVISIBLE BALANCE	24	QET
RECEIPTS	263	435
PAYMENTS	239	300

3. NET GOODS & SERVICES	-325	-290
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4. NET TRANSFERS	72	100
5. NET CURRENT ACCT.	-252	-190
6. NET CAPITAL INFLOW	298	354
7. ERRORS & OMISSIONS	-16	0
8. CHANGE IN FX RESERVES		
(-INCREASE)	\$30	-154
9. FOREIGN EXCHANGE HOLDINGS	565	848

IT CAN BE SEEN FROM FOREGOING THAT WIDER TRADE GAP IN FIRST HALF OF 1973 WAS MORE THAN OFFSET BY 65 PERCENT INCREASE IN INVISIBLE RECEIPTS (MOSTLY TOURISM) AND INCREASE IN NET TRANSFER RECEIPTS, LEADING TO \$62 MILLION DECREASE IN CURRENT ACCOUNT DEFICIT AS COMPARED WITH FIRST HALF 1972.

STRONG FIRST HALF PERFORMANCE HAS LED ROKG TO REVISE FOR LONG-TERM PLANNING PURPOSES ITS ORIGINAL ORB 1973 BOP ESTIMATES REPORTED REF A. HOWEVER, REVISION IS VERY CONSERVATIVE, PARTICULARLY REGARDING INVISIBLE RECEIPTS, AND THUS PROJECTS DETERIORATION OF NET CURRENT BALANCE FOR YEAR OF \$52 MILLION FROM ORIGINAL ESTIMATE, TO \$687 MILLION. EMBASSY, HOWEVER, BELIEVES CURRENT ACCOUNT DEFICIT FOR FULL YEAR SHOULD BE LESS THAN \$421 REGISTERED IN 1972 ON THE BASIS OF CURRENT FAVORABLE TRENDS.

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